

# **A G E N D A**

## **BUDGET COMMITTEE MEETING APRIL 29, 2008**

**6:00 p.m.**

**Milwaukie City Hall  
Council Chambers  
10722 SE Main Street**

- 1) Call to Order – Chair David Aschenbrenner
- 2) Introductions and Roll Call
- 3) Election of Officers, Chair and Secretary – Chair David Aschenbrenner
- 4) Consider Minutes of April 30, 2007 and May 7, 2007 Meetings
- 5) 2008 – 2009 Budget Message and Budget Officer's Balanced Budget Proposal – City Manager Mike Swanson
- 6) Additional Budget Committee Comments
- 7) Public Hearing
- 8) Draft Capital Improvement Plan – Engineering Director Gary Parkin
- 9) Additional Budget Committee Comments
- 10) Set Future Meeting Dates for Public Comment and Budget Committee Deliberation and Motions
- 11) Adjourn

**MINUTES**  
**BUDGET COMMITTEE MEETING**  
**April 30, 2007**

**Chair Aschenbrenner** called the meeting to order at 6:09 p.m. in the Milwaukie City Hall Council Chambers, 10722 SE Main Street.

Budget Committee members present: Melissa Arne, Deborah Barnes, Carlotta Collette, Jeremy Ferguson, Joe Loomis, Leslie Schockner, and Susan Stone.

Staff present: Engineering Director Gary Parkin, Library Director Joe Sandfort, Accountant Judy Serio, and Building Official Tom Larsen.

**Consider Minutes of April 9, 2007**

**Ms. Barnes moved to approve the Budget Committee minutes of April 9, 2007, and Ms. Stone seconded. Motion passed unanimously among the members present.**

**Public Comment** – None

**Comments on Draft Financial Policies**

**It was the consensus of the Committee to move the Financial Policies forward as presented.**

**Responses to Committee questions from the April 9, 2007 meeting**

**Mr. Swanson** addressed the questions coming from the April 9, 2007 meeting.

1. Banning studded tires to protect the pavement

ORS 815.160 establishes penalties for the unlawful use of metal objects on tires. ORS 815.165 provides exemptions to that rule, including: "Between November 1 of any year and April 1 of the following year, vehicles equipped with any tire having on its periphery studs of metal or other material extending beyond the tread surface of the tire not less than four-hundredths (0.04) inch nor more than six-hundredths (0.06) inch and made of such material that the studs will wear, through use, at the same rate as the tread surface of the tire. When the preservation of the highway surface or the safety of the traveling public so indicates, the Department of Transportation shall have the authority to shorten or lengthen the period for the permissible use of such tires in any area of the state specifically designated by the department." The statute presumed some kind of damage, but since it was a state law, the City would be pre-empted from banning studded tires. After April 1 there was a penalty, and police could cite the drivers.

2. Fund 315 – Streets/Surface Maintenance (page 73 of budget document)

There were comments that the privilege franchise fee projections seemed low. The effective date of the tax was July 1, 2007. The collection period, therefore, will be less than one year if payment is made at the same time as the franchise fee. He projected a full year of franchise fee collections to total \$710,397, which was calculated at 3.5% of PGE revenues. Thus, a full year of collections at 1.5% would be \$304,456. The tax would start July 1 also; the clock was already running and would be about 3 months behind. Staff was budgeting for the amount assumed based on the franchise fee, so this was anticipated. The franchise year and the budget year were not the same but would catch up next year.

3. Fund 110 – General Fund/Code Enforcement (page 28)

The Committee also asked why the drop in parking citations from 935 in 2004-05 to 241 in 2005-2006? The staff person assigned to parking was assigned 50% to parking and 50% to code enforcement. In 2004-2005 the emphasis in parking was on enforcement, and in 2005-2006 the emphasis in parking was on parking management that included an analysis of where the problems actually were.

4. Fund 211 – Neighborhood Grants (page 64)

Why the increase in the Linwood NDA budget from 2005 - 2006 to 2006-2007? The 2005 - 2006 number represented the actual expenditure. The 2006 - 2007 number represented the budgeted number. The big expenditure in Linwood in 2005 – 2006 was a donation of about \$3,200 toward band uniforms. The Neighborhood probably spent about \$3,000 this year. It had about \$17,000 and would go up to \$18,000, so with the \$4,000 grant the Neighborhood probably spent about \$3,000 this year.

5. Fund 110 – Police Field Services (page 35)

The question was what was included in contractual services in the amount of \$315,118. The bulk of that was photo radar. The additional items funded from this line item were for access to the 800 MHz radio system and for charges to use the Portland Police Data System (PPDS). Typically without photo radar the budget was about \$120,000 to \$130,000.

6. Bond capacity and rating

ORS 287.004(2) provides as follows: “Unless a lesser limitation upon the issuance of bonds has otherwise been provided by law or charter, no city shall issue or have outstanding at any one time bonds in excess of three percent of the real market value of all taxable property within its boundaries, computed in accordance with ORS 308.207, after deducting from outstanding bonds such

cash funds and sinking funds as are applicable to the payment and principal thereof.” Further, ORS 287.004(4) provides as follows: “The limitations on amounts of this section do not apply to bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, infirmaries, gas, power or lighting purposes, or the acquisition, establishment, construction or reconstruction of any off-street motor vehicle parking facility, nor to bonds issued pursuant to applications to pay assessments for improvements in installments under statutory or charter authority.” *(At the April 30, 2007 meeting Leslie asked if the limitation applied to revenue bonds. The statute is not clear, but I assume that the effect of this latter provision is to largely exclude revenue bonds by excluding projects that are largely funded by fees/utility revenues. For example, the City’s water revenue bonds are not counted as part of the 3% limitation.)* The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006 calculates the City’s “Legal Debt Margin” as \$38,610,772 (page 97). *(I believe that this understates the actual debt capacity of the City. Note above that the statute applies the 3% limitation to “real market value.” The audit report uses assessed value, which has been roughly 75% of real market value. The Oregon Local Governments Limited Tax Pension Obligations, Series 2005 Official Statement notes that the City’s “Remaining Legal Debt Capacity” is \$64,761,999. The calculation was made using the City’s real market value of \$2,237,899,982 as opposed to the audit report, which used an assessed value of \$1,354,692,412. I did not run my own calculations since this was not being done in anticipation of an actual financing. However, I believe that the higher number is more accurate since it is based on the value demanded by the statute.*

Water Revenue Bonds, Series 1990 in the principal amount of \$1,300,000—revenue bonds, maturing 4/15/2010—non-rated

Water Revenue Refunding Bonds, Series 1997 in the principal amount of \$1,235,000—revenue bonds maturing 4/15/2010—non-rated

General Obligation Bonds, Series 1991 in the principal amount of \$5,000,000—general obligation bonds maturing in 2011

General Obligation Advance Refunding Bonds, Series 1997 in the principal amount of \$3,765,000—general obligation bonds maturing in 2011—Moody’s Rating: Aaa (“with the understanding that upon delivery of the Series 1997 Bonds, a policy insuring the scheduled payment when due of the principal of and interest on the Series 1997 Bonds will be issued by Financial Security Assurance, Inc.”)

**Ms. Collette** asked the amount of the City’s bonded debt.

**Mr. Swanson** would provide that as part of the notes. The water revenue refunding bonds matured in 2010, and the general obligation (GO) bonds

matured in 2011. He did not have the amount of debt on the PERS issue at this meeting. As part of the auditors' calculations, they deducted amounts due in sinking funds.

**Ms. Schockner** asked if the 3% of the property value applied to GO bonds only or did it apply to all debt; even revenue bonds.

**Mr. Swanson** replied that was also one of his questions, but he was not able to get far enough into the statute. To him it would make sense that it applied to GO and not revenue bonds. The City was not even close to its debt limit. He would bring some additional issues back at the May 7 meeting. He would recommend a change in the amount reserved in the Library budget. He budgeted \$1,000 from the Folden Bequest for the bench, but the bench plus installation was \$2,294. Expenditures would be increased, the transfer would be decreased in the general fund, and the revenue to the Folden fund would be decreased. He would also recommend an increase in the Mayor's monthly stipend to \$300 and the Councilors' monthly stipend to \$250. That would also require an amendment of the Budget Officer's proposed budget. He also noted that the Clackamas County Board of Commissioners (BCC) determined it would fund the Library System at the same level.

**Ms. Barnes** referred to page 35 of the police budget and the 2005 – 2006 adopted was \$94,100 for public safety supplies and jumped to \$184,500.

**Mr. Swanson** replied that was for the tasers.

**Ms. Collette** asked for clarification on the bench. She understood the money from Ms. Folden's donation.

**Mr. Swanson** said staff wanted to do something immediately so her name was on something. The bulk was in the bequest fund.

### **Capital Improvement Plan (CIP)**

**Mr. Parkin** said the 2006 – 2007 CIP was repeated from last year next to the 2007 – 2008 along with a note giving the status of each project.

**Chair Aschenbrenner** commented maintenance on well 6 was postponed which he understood was to build the reserves in 2007 – 2008.

**Mr. Parkin** replied Well 6 was being done this year. The \$30,000 annually was to ensure the wells were in good repair. It was determined well 6 needed a major replacement, and staff felt maintenance could be postponed for one year.

**Chair Aschenbrenner** discussed the King Road and 37<sup>th</sup> Avenue and Oak Street projects and quiet zone improvements. He did not want to see that held up by waiting on a quiet zone. The intersections needed work sooner than later.

**Mr. Parkin** agreed. Staff would come before Council in June with a more complete picture of what was needed for the quiet zone. There was a huge savings to do the permitting process once, so those sidewalks were being held up slightly. He was committed to completing the sidewalk, and Council would

make the decision on the quiet zone. He added the numbers were reversed for the public access studio and the government access facility.

**Chair Aschenbrenner** said there had been a question about moving King Road up in the priority list.

**Mr. Parkin** said it was moved up and was for the following year and not this year. In looking at it more closely there was a lot of fieldwork that had to be done to ensure the project was done correctly. It would be difficult to accomplish everything by the end of this summer given the reconstruction needs of King Road.

**Ms. Schockner** asked where the expenditure for the preliminary work showed up in the budget. Was there a way to let people know the work was ongoing this year?

**Mr. Parkin** replied there was \$50,000 in contractual services to begin investigative and design work for next year's projects including King Road.

**Chair Aschenbrenner** understood the preliminary work would be done in 2007 – 2008, and construction would be in 2008 – 2009.

**Mr. Parkin** said it was desirable to partner with the County on one of its projects to hold down costs.

**Ms. Stone** asked if the City would have to put some money into the surface of King Road given its condition.

**Mr. Parkin** replied in the normal gas tax fund there was money allocated for pothole repair and that kind of thing.

**Ms. Stone** would not want to put a lot of money into it and asked the likelihood of having to put \$50,000 into it this summer.

**Mr. Parkin** responded it would not be that much, but some things will need to be repaired although there was a larger project on the horizon.

**Ms. Collette** suggested showing some amount in the budget so people knew the City was starting work on the King Road project.

**Mr. Swanson** talked about installing signs at each end of King Road letting people know design work was scheduled and that their street maintenance fees were being used.

**Chair Aschenbrenner** suggested putting some information in the community booth listing all the projects.

**Mr. Swanson** thanked Judy Serio for her work on the budget.

### **Budget Committee Deliberations**

None.

Next scheduled meeting May 7, 2007

**Adjourn**

**It was moved by Ms. Barnes and seconded by Mr. Ferguson to adjourn the meeting. Motion passed unanimously among the members present. [7:0]**

**Chair Aschenbrenner adjourned the meeting at 6:45 p.m.**

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Pat DuVal, Recorder

**MINUTES**  
**BUDGET COMMITTEE MEETING**  
**May 7, 2007**

**Chair Aschenbrenner** called the meeting to order at 6:04 p.m. in the Milwaukie City Hall Council Chambers.

Committee members present: Melissa Arne, Deborah Barnes, Jim Bernard, Carlotta Collette, Jeremy Ferguson, Joe Loomis, Mike Miller, Leslie Schockner, and Susan Stone.

**Preliminary Comments**

None.

**Public Comments**

None.

**Budget Officer Comments**

**Mr. Swanson** briefly reviewed the notes in response to questions asked at the April 30 meeting regarding bond capacity and rating. Ms. Schockner asked if the limitation in the statute applied to revenue bonds. There was no explicit mention of revenue bonds, but those projects excluded were all in the nature of revenue-producing projects. The City's legal debt potential he cited last week out of the audit report was \$38,610,772. The statute provided that it was 3% of real market value (RMV), and the auditor used assessed value, which was a number that was 70% to 75% less than RMV. The City's debt capacity was more in the range of \$64.7 million.

Ms. Collette had asked about the total outstanding debt. He listed the traditional bonded debt but did not get into the loan on the Pond House, the interfund loan on the Cash Spot, 3 DEQ energy loans, and an outstanding loan for the offsite improvements on North Main Village that was advanced by Oregon Housing and Community Services. He could provide that in more detail in July. He had listed the three outstanding traditional bond issues.

**Mr. Swanson** included a memo that justified an increase of \$100 in the Council stipend. The Mayor would be at \$300 and the Councilors to \$250. This was originally anticipated to help support Council in terms of gas and was in no way intended to be any kind of salary. The last time the stipend was increased was in 1989. He first looked at other cities, but there was no consistent practice. Cities dealt with things in various ways, but many of them had nothing to do with a stipend. Because the original intent was to help Council defray some of the costs of serving, he looked at cost of living increases from 1989 to present. He calculated 59.7% times the Mayor and Council's current stipend.

**Mr. Swanson** noted many cities had allowed contingency to be raided since Measure 8 was adopted, and many did not have a very healthy contingency. He believed in the public sector it was important to have something set aside in the event of an emergency. A lot of that was due to the fact that the Budget

Committees had stood firm in maintaining a contingency that had some integrity. Even though it was healthy it fell a bit short, but it was a good sign the City had paid attention, and City employees were supportive.

He prepared a proposed motion that would provide for the Council stipend by amending the budget officer's proposed budget by reallocation \$6,000 in the city manager's contractual services line item to the Council budget in its professional services line item. The second amendment had to do with the Ethel Folden Memorial Bench which would be paid for out of this year's budget. The \$1,000 in the Library budget retained for the bench would have to be zeroed-out, and the transfer in the general fund would be increased. The transfer to Fund 880 would be increased to \$152,210 which was the total of the bequest. The entire bequest would be available in Fund 880. ORS also required that the Budget Committee in its approval must cite either the ad valorem property tax rate or the ad valorem property tax amount in its determination. He added language that would move that the financial policies be recommended for adoption by the City Council.

### **Budget Committee Deliberations**

**Ms. Collette** asked Mr. Swanson to explain the public safety debt service.

**Mr. Swanson** replied it was the bond issue on the public safety building. The amount fluctuated somewhat. When he came on with the City there was \$1 million which was too much, so it was reduced over a number of years. A portion of the reserve was used to fund debt service, so now things were balancing as they should. The amount had been bumped up this year to make the debt service payment which would mature in 2011.

**Ms. Schockner** thought developing financial policies was a significant accomplishment by the Budget Committee, Council, and staff to give structure to the decision-making.

**Mr. Swanson** agreed and noted rating agencies would be impressed the City had written and adopted financial policies that were followed.

**Mr. Miller** met with Mr. Shirey and Mr. Swanson to look into the inadequacy of fleet and facilities staffing and was assured they would look into this and that the budget had enough flexibility should it be warranted that these 2 areas be increased outside this particular process.

### **Motion to Approve Proposed Budget**

**It was moved by Ms. Barnes and seconded by Ms. Schockner to approve the budget document as revised and prepared by the Budget Committee and make the following changes to the Budget Document as submitted by the Budget Officer:**

**To provide for an increase in the Mayor and Council stipend of \$100 per month, amend the Budget Officer's proposed budget by decreasing Fund 150-Administrative Services/City Manager/Professional Services by \$6,000 and increasing Fund 150—Administrative Services/City Council/Contractual Services by \$6,000;**

In light of the fact that the Ethel Folden bench has been installed and will be paid for during the current fiscal year, amend the Budget Officer's proposed budget by reducing Fund 110--General Fund/Library/ Expenditures/Ethel Folden Memorial to \$0, increasing Fund 110--General Fund/ Intergovernmental/ Interfund/ Expenditures/Transfer to Fund 880 Ethel Folden Donation to \$32,498, increasing Fund 880--Ethel Folden Donation/Revenues/Transfers to \$32,498, and increasing Fund 880--Ethel Folden Donation/Expenditures/Capital Projects to \$152,210.

I further move that the ad valorem property tax rate for the General Fund be 4.0512 and that the ad valorem property tax amount for the Public Safety Debt Service Fund be \$536,523.

I further move that the Financial Policies be recommended for adoption by the City Council.

**Motion passed unanimously. [10:0]**

#### **2008 – 2012 Capital Improvement Plan**

**It was moved by Mr. Bernard and seconded by Ms. Collette to recommend the Capital Improvement Plan. Motion passed unanimously. [10:0]**

**Ms. Schockner** raised a couple of issues for consideration over the next year. One had to do with getting a proposed budget that had performance measures projected for the current year and proposed for the next year that was tied to the amount that was going to be spent. Second she suggested preparing a formal bequest or endowment policy.

**Chair Aschenbrenner** discussed the history portion of the CIP to indicate what had been done and what had changed.

**Mr. Swanson** appreciated the work of the Budget Committee and the citizen members participating on the Budget Review Board.

**It was moved by Ms. Stone and seconded by Ms. Schockner to adjourn the meeting. Motion passed unanimously. [10:0]**

**Chair Aschenbrenner** adjourned the meeting at 6:31 p.m.

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Pat DuVal, Recorder